



STATE OF WASHINGTON
CONSERVATION COMMISSION

PO Box 47721 • Olympia, Washington 98504-7721 • (360) 407-6201 • FAX (360) 407-6215

Date: May 11, 1995
Memo To: All Conservation Districts
From: Bob Bottman, Administrative Officer *BB*
Subject: Tax Exempt Status of Conservation Districts -- 1995 Update

One of the more commonly asked questions about conservation districts has to do with their federal tax status. The attached letter answers this question and cites the pertinent sections of the Internal Revenue Service Code.

You should note that Section 115 of the IRS Code provides tax exempt status for conservation districts. Some earlier correspondence from the Commission mistakenly referenced Section 501 of the IRS Code for this purpose. The attached letter supercedes all other information on this subject. Please use it as a reference for how conservation districts relate to the IRS Code.

Sources for the information in the letter include the State Attorney General, the Office of State Auditor, the Internal Revenue Service, and various individuals with professional knowledge of the IRS Code.

Feel free to use this letter to answer questions about your district's tax status. If you need additional information, or have questions about what is in the letter, please call me at (360) 407-6203.

BB/s

c:\word\wordfile\taxcover.doc

Attachment

cc: Field Representatives
OASI Office, Employment Security
Office of State Auditor

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| FOR FUTURE REFERENCE, THIS MEMO AND ITS ATTACHMENT SHOULD BE INSERTED AS EXHIBIT 220B (AT THE END OF SECTION 220) IN YOUR PROCEDURE MANUAL. THE ATTACHED LETTER MAY BE USED WHEN YOU NEED DOCUMENTATION OF YOUR DISTRICT'S FEDERAL TAX STATUS. |
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STATE OF WASHINGTON
CONSERVATION COMMISSION

PO Box 47721 • Olympia, Washington 98504-7721 • (360) 407-6201 • FAX (360) 407-6215

May 11, 1995

To Whom It May Concern:

A conservation district in Washington State is described in RCW 89.08.220 as a "governmental subdivision of the state, and public body corporate and politic exercising public powers. . ." From this description, it is evident that conservation districts are governmental in nature and are public corporations created under state law for public purposes.

The Internal Revenue Code, Section 115 confers tax exempt status on conservation districts because they are political subdivisions of state government.

Further, Section 170(b)(1)(A)(v) of the IRS Code states that charitable contributions to conservation districts are tax deductible. The Code goes on in Section 170(c)(1) to define charitable contributions, in part, as contributions or gifts to political subdivisions of a state. We conclude from this that any contributions or gifts made to a conservation district are tax deductible.

Please call me at (360) 407-6203 if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert P. Bottman".

Robert P. Bottman
Administrative Officer

c:\winword\wordfile\TextExamp.doc



ROSE MARIE WINTERS
Chair



STATE OF WASHINGTON
CONSERVATION COMMISSION

Mail Stop PV-11 • Olympia, Washington 98504-8711 • (206) 459-6227 • FAX (206) 438-7753

March 7, 1991

Memo To: All Conservation Districts
From: Bob Bottman, Administrative Officer *BBB*
Subject: Tax Exempt Status of Conservation Districts

One of the most commonly asked questions about conservation districts has to do with their federal tax status. The attached letter answers this question and cites the pertinent sections of the IRS Code.

Note: Section 115 of the IRS Code provides tax exempt status for conservation districts. Some earlier correspondence from the Commission mistakenly referenced Section 501 of the IRS Code for this purpose. The attached letter supercedes all other information on this subject. Please use it as a reference for how conservation districts relate to the IRS Code.

Sources for the information in the letter include the State Attorney General, the Office of State Auditor, various individuals with professional knowledge of the IRS Code, and the IRS Code itself.

Feel free to use this letter to answer questions about your district's tax status. If you need additional information, or have questions about what is in the letter, please call me at (206)459-6229.

BB/s

astaxcover

Attachment

cc: Field Representatives
Larry Fox, Employment Security
Harvey Biegert, Office of State Auditor

Internal Revenue Service

Department of the Treasury

P. O. Box 2508
Cincinnati, OH 45201

Date: October 16, 2002

Person to Contact:

John Kennedy ID 31-07297
Customer Service Representative

Toll Free Telephone Number:

8:00 A.M. to 6:30 P.M. EST
877-829-5500

Fax Number:

513-263-3756

Federal Identification Number:

91-0985896

Clark County Conservation District
11104 N. E. 149th St. Bldg. C Ste. 400
Brush Prairie, WA 98606

Dear Sir or Madam:

This responds to your request for information concerning your organization's federal tax status.

Our records indicate that your organization may be a governmental instrumentality or a political subdivision of a state.

No provision of the Internal Revenue Code imposes a tax on the income of governmental units (such as states and their political subdivisions). Therefore, it has been the position of the Service that income of governmental units is not generally subject to federal income taxation. If, however, an entity is not itself a governmental unit (or an "integral part" thereof), its income will be subject to tax unless an exclusion or exemption applies.

One exclusion is provided by section 115(1) of the Code, which excludes from gross income:

- (A) income derived from the exercise of any essential governmental function,
and
- (B) income accruing to a state or political subdivision.

Your organization's income may not be subject to tax, either because the organization is a governmental unit (or an "integral part" thereof), or because the income is excluded under section 115. In addition, your organization may also be eligible to receive charitable contributions, which are deductible for federal income, estate, and gift tax purposes. Also, your organization is probably exempt from many federal excise taxes.

Your organization may obtain a letter ruling on its status under section 115, following the procedures specified in Rev. Proc. 2001-1 or its successor.

Your organization may also qualify for exemption from federal income tax as an organization described in section 501(c)(3) of the Code. If the organization is an entity separate from the state, county, or municipal government, and if it does not have powers or purposes inconsistent with exemption (such as the power to tax or to exercise enforcement of regulatory powers), your organization would qualify under section 501(c)(3). To apply for exemption, complete Form 1023 and pay the required user fee.

Clark County Conservation District
91-0985896

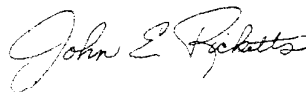
Sometimes governmental units are asked to provide proof of their status as part of a grant application. If your organization is applying for a grant from a private foundation, the foundation may be requesting certain information from your organization because of the restrictions imposed by the Code on such foundations. One such restriction imposes a tax on private foundations that make any "taxable expenditures." Under section 4945(d) and (h) of the Code, "taxable expenditures" include (1) any grant to an organization (unless excepted), unless the foundation exercises "expenditure responsibility" with respect to the grant; and (2) any expenditure for non-charitable purposes. Under section 4942 of the Code, private foundations must also distribute certain amounts for charitable purposes each year--"qualifying distributions"--or incur a tax on the undistributed amount. "Qualifying distributions" include certain amounts paid to accomplish charitable purposes.

Private foundation grants to governmental units for public or charitable purposes are not taxable expenditures under these provisions, regardless of whether the foundation exercises "expenditure responsibility." Under section 53.4945-5(a)(4)(ii) of the Foundation and Similar Excise Tax Regulations, expenditure responsibility is not required for grants for charitable purposes to governmental units (as defined in section 170(c)(1) of the code). Similarly, grants to governmental units for public purposes are "qualifying distributions", under section 53.4942(a)-3(a) of the regulations; and, if they are for charitable purposes, will not be taxable expenditures, under section 53.4945-6(a) of the regulations. Most grants to governmental units will qualify as being for charitable (as well as public) purposes.

Because of these restrictions, some private foundations require grant applicants to submit a letter from the Service determining them to be exempt under section 501(c)(3) and classified as a non-private foundation. Such a letter, or an underlying requirement that a grantee be a public charity, is not legally required to be relieved from the restrictions described above, when the prospective grantee is a governmental unit and the grant is for qualifying (public or charitable) purposes.

We believe this general information will be of assistance to your organization. This letter, however, is not a ruling and may not be relied on as such. If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely,



John E. Ricketts, Director, TE/GE
Customer Account Services